



December 30, 2014

Commissioner of Securities and Insurance
Montana State Auditor's Office
840 Helena Avenue
Helena, MT 59601

Re: Letter of Intent for Montana Patient Centered Medical Home

Dear Commissioner Lindeen,

This letter is intended to signify the intent of PacificSource Health Plans to participate in the Montana Patient Centered Medical Home program effective January 1, 2015. PacificSource intends to compensate providers in the following manner which it believes is consistent with the previous work in the Montana Patient Centered Medical Home program:

- 1) Fee-for-service payment for services provided to members who are part of the Montana Patient Centered Medical Home program, and
- 2) Per member, per month infrastructure support payments to promote activities such as care coordination, care management, disease management, population management, integrated behavioral health services, clinical pharmacy services, and
- 3) Grant-based funding to support care integration, medical home support, and population health approaches, and
- 4) Shared savings and Quality bonuses for performance against mutually agreed quality and cost/utilization (ER visits, hospitalization rates, etc) performance in alignment with the Triple Aim.

PacificSource intends to adhere to the commissioner's qualification requirements for patient centered medical homes, and intends to adhere to all reporting requirements set by the Montana Insurance Commissioner. PacificSource additionally intends to adhere to the provisions of Title 33, Chapter 40 of the Montana Code Annotated (MCA) 2014, and any additional instructions prescribed by the Montana Insurance Commissioner.

As PacificSource may not participate in the Montana Patient Centered Medical Home program until the Montana Insurance Commissioner approves PacificSource as meeting the requirements of the Montana Patient Centered Medical Home program, PacificSource requests consideration for such approval in writing at this time.

On December 19, 2014, we received from your office a series of questions about PacificSource's medical home intent and program details. These questions led to a conversation on December 30, 2014 between myself, Christina Goe, and Amanda Roccabruna Eby. Much of the conversation centered on the below questions and PacificSource's answers, which I have indicated herein.

Question 1: How will you attribute members eligible for the enhanced payments?

Answer: PacificSource's members in Montana have either self-assigned themselves to primary care providers in Montana, or can be attributed to primary care providers through an algorithm based on claims experience derived by Truven, a national data vendor in this area or member attribution.

Question 2: What is the timeframe of the proposed program?

Answer: PacificSource is proposing to begin its Medical Home program in the first quarter of 2015, and to run a medical home program year annually upon inception.

Question 3: What is the projected number of members/patients you plan to reimburse PCMH providers for in 2015?

Answer: This answer depends on the number of medical home agreements we will be able to put in place with provider partners in Montana. Our hope is for 2,000 to 4,000 members to be covered under medical home agreements by the end of 2015.

Question 4: Which chronic diseases are eligible for enhanced payment?

Answer: We are focused on enhanced payment for medical home members with the following chronic disease conditions: asthma, diabetes, hypertension, depression, and vascular disease.

Question 5: How do your 4 different proposed types of payment coordinate with each other? Can practices receive more than one at a time?

Answer: PacificSource's four different types of payment coordinate well with one another, providing steady revenue streams throughout the continuum of a medical home "year". Reimbursement is provided at the outset of each month for clinical infrastructure investments (PMPM fees), funding to sustain work on an ongoing basis (fee-for-service reimbursement and optional grant-based funding) and incentive payments for meeting quality and other targets at the conclusion of a medical home year (incentive payments). Practices can indeed receive all types of payment at the same time, assuming provider apply for optional grant-based funding.

At your convenience, please let us know if you have further questions. Regarding PacificSource's approval status to begin collaborations on medical homes in Montana in 2015, please inform us of our status at peter.mcgarra@pacificsource.com, or at the following address:

Peter McGarry
PacificSource Health Plans
13010 SW 68th Parkway #140
Tigard, OR 97223

Sincerely,

A handwritten signature in cursive script that reads "Peter McGarry". The ink is dark and the signature is fluid, with a long, sweeping tail on the "y".

Peter McGarry
Vice President, Provider Network
PacificSource Health Plans

Cc: Todd Lovshin, Vice President and Montana Regional Director